

Some Puzzles of Political Corruption in Modern Advanced Democracies¹

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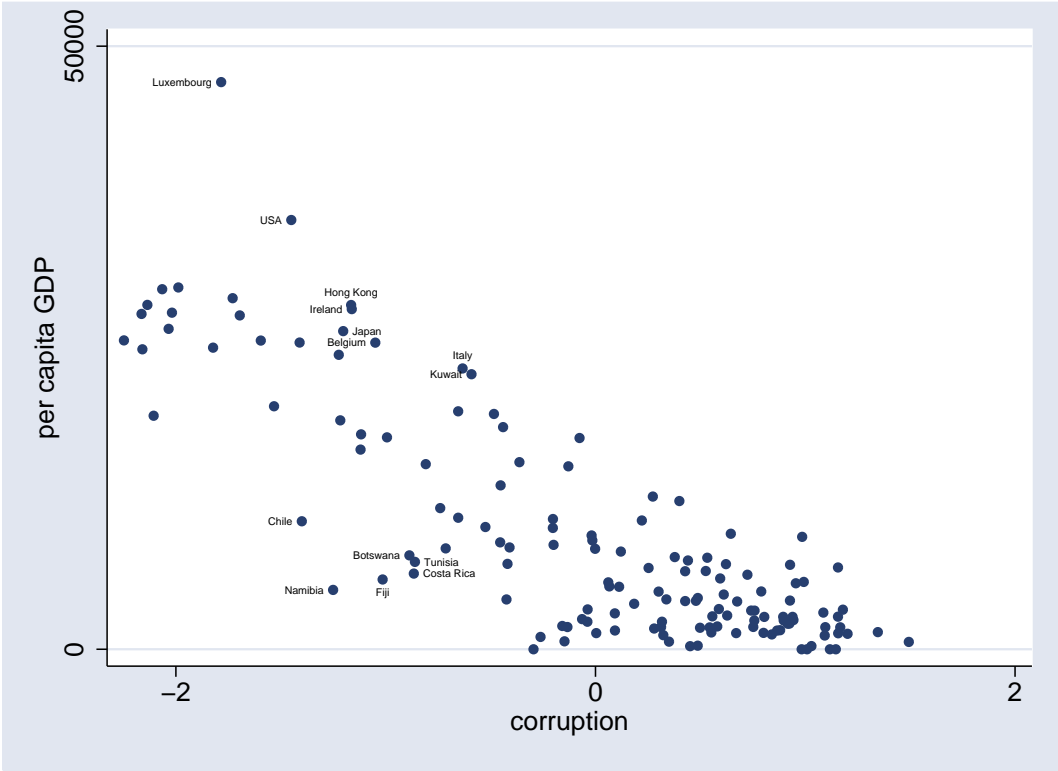
Much has been made in recent years of the political and economic importance of corruption, or the illegal use of public office and authority for personal gain. Corruption is said to erode trust in government and political legitimacy (Anderson and Tverdova 2003) and to reduce economic growth (Mauro 1995). International organizations such as the World Bank now routinely contend that the main culprit — what economists call a “fundamental” as opposed to a proximate cause — for lagging economic development in many of the world’s poorest nations lies with their inadequate domestic political institutions, institutions that permit rampant predation and corruption by public authorities. Even if the evidence on this is less persuasive than usually believed, the World Bank estimates that about 3 percent of world GDP is absorbed by bribes (Svensson 2005, p. 20).

Just how widespread and politically important is corruption? This question may be especially intriguing in Japan, a country that is very wealthy but also, according to many sources, one of the world’s more corrupt OECD countries. In Figure 1, I graph data showing the relationship between per capita gross domestic product and a standard measure of corruption.¹ The graph includes labels for some of the countries that qualify as outliers, including Japan. The main message conveyed by the figure is that, in general, corruption is lower in wealthier countries. With a few notable exceptions, the world’s poorest countries are, by contrast, afflicted with very high levels of corruption.

There are a handful of poor countries that rank relatively low on the corruption index, including Chile, Namibia, Fiji, Botswana, Tunisia and Costa Rica. These certainly call for

¹The measure is drawn from surveys administered to international businesspeople of perceptions of corruption.

Figure 1: Scatterplot of Relationship between Corruption and GDP for 165 Countries (2000)



Source: Dataset accompanying (Weil 2005); originally reported in (Kaufmann, Kraay, and Zoido-Lobaton 2002).

greater scrutiny. Only a few studies explicitly investigate how these countries overcame the various obstacles posed by geography, disease and a colonial past to emerge with relatively clean governments (see for instance some relevant country analyses in (Rodrik 2003)). But in this paper, I focus on the world's wealthy democracies. The countries with the least corruption, according to various sources, are the Scandinavian social democracies, which, together with such nations as Singapore, Australia, New Zealand and Canada, form the cluster of cases to the most extreme left in Figure 1. Italy, a country I shall discuss in

greater detail in the pages to follow, is the world's most corrupt wealthy country. Similarly Japan, Belgium, Hong Kong and Ireland appear moderately corrupt given the degree of economic prosperity they have achieved.

One interesting question is why we observe such a wide range in perceived corruption in the world's most affluent nations. Some of them exhibit very low levels of perceived corruption. In these countries, interactions with officialdom are routinized, impersonal, predictable, and mercifully free of the requirement to offer small (or large) sums of cash in unmarked envelopes when seeing a doctor, seeking telephone installation, being cited for a traffic infraction, or applying for a permit to open a business. One could happily live one's entire life in Finland, Sweden, the Netherlands, or Singapore without ever confronting the moral dilemma of whether to offer cash on the side to a public official as "grease money." But life in Italy, Hungary, or Greece is far more likely to present this quandary. These are economically developed countries where illegal transactions in public dealings with government officials are relatively common. In the conclusion to this paper, I shall advance an argument for why we observe such a large variation in corruption in economically advanced countries.²

As part of an on-going research project (reported in (Golden and Chang 2001; Golden

²But note that no country with a per capita income of greater than US \$12,000 in 2000 obtains a value higher than .354 on the index presented. In other words, corruption in wealthy countries is limited in frequency. Second, however, the index is ordinal, meaning that the scale is unknown. There is no natural interpretation of the range. A country that receives a 2 on the corruption index is not twice as corrupt as one receiving a 1. Italy's -0.63 does not necessarily make the country nearly four times as corrupt as Finland's -2.25 , just more corrupt.

2003; Golden 2004b; Golden and Picci 2005; Golden and Picci 2006), I have compiled data on and analyzed corruption in postwar Italy, a country notorious for widespread illegality among public officials. In the course of the research, I arrived at the startling conclusion that corruption does not matter much to voters most of the time. In the following pages, I shall first document this claim and then provide an interpretation for it. Finally, I shall discuss how this finding sheds light on the causes of variations in the extent of corruption among wealthy democratic nations.

1 Evidence for the Claim that Voters Do Not Care (Much) about Corruption

During the first eleven postwar legislatures, covering the period from 1948 to 1994, more than half (54 percent) of the elected representatives to Italy's lower house, the Chamber of Deputies, were charged by the judiciary at least once with malfeasance. Even if we exclude such trivial charges as slander, libel and defamation of character, which are often lodged against politicians by their electoral opponents, 41 percent of Italy's postwar deputies were charged with more serious crimes (Chang and Golden 2004). Yet most deputies were reelected during this period, and the difference in reelection probabilities between those charged and those not charged is relatively slight — 51 percent compared with 58 percent. Most deputies were reelected whether they were allegedly engaged in illegal activities or not.

In Figure 2, I graph data on the proportion of deputies charged with serious and minor

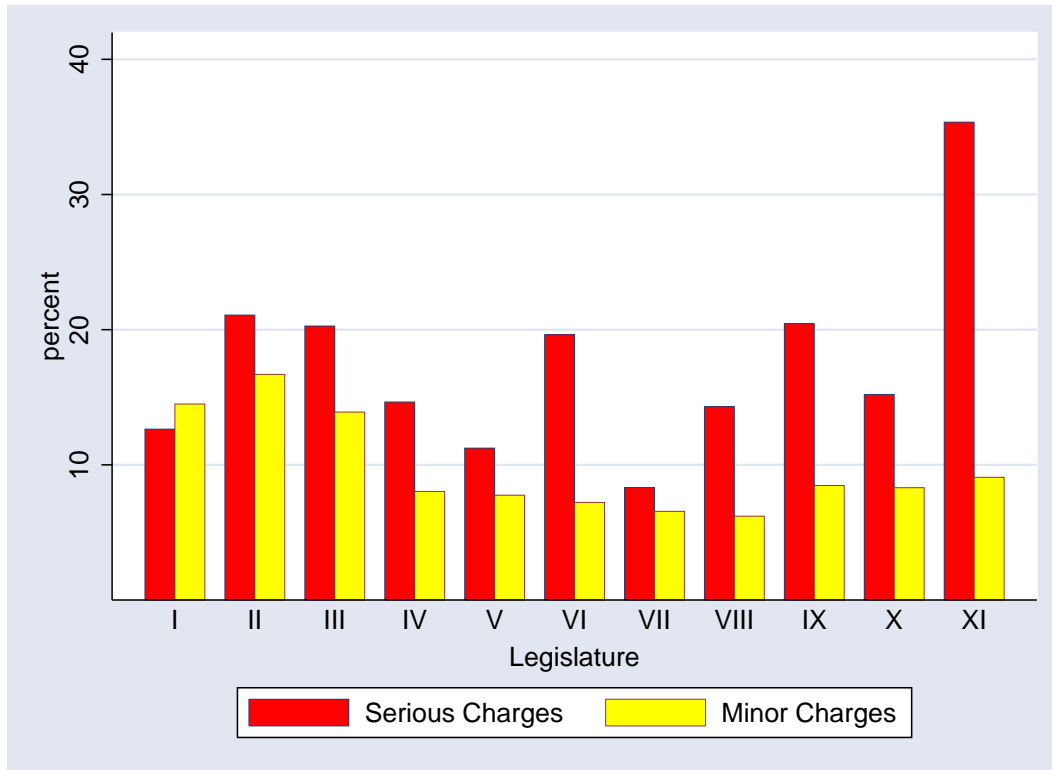
malfeasance³ in Italy's first eleven postwar legislatures. (The dataset ends in 1994, due to a change in the law regulating the removal of parliamentary immunity for national legislators, among other things.) An extraordinary proportion (33 percent) of political representatives were recipients of judicial requests to remove immunity because of suspected serious wrongdoing during the Eleventh Legislature, which sat from 1992 to 1994. Even excluding this legislature, the average proportion of those charged with serious allegations over the previous ten legislative periods is 15 percent. This seems unusually high, although we lack concrete comparable information on legislators in other countries. If we consider both minor and more serious charges of malfeasance together, an average of one quarter of Italy's deputies were under investigation by the judiciary in any single legislature. This seems likely to represent an extraordinary pattern of criminality among elected national officials.

Figure 3 depicts the proportions of deputies who are reelected into the subsequent legislature, distinguishing those charged with serious allegations from those not charged, for each of the eleven legislatures. Over all legislatures, an average of 57 percent of deputies are reelected into the subsequent legislature, somewhat less than the average across democratic countries on which data are available (Matland and Studlar 2004, p. 92). For most legislature periods, Italian deputies who are not charged with malfeasance are reelected at slightly higher rates than those who are charged, but the difference is small. Except in the final legislature studied, Italian voters appear relatively indifferent to judicial allegations of criminal wrongdoing on the part of elected national representatives.

³The latter cover libel, slander and related crimes, as well as fascist activities.

Figure 2: Percent of Italian Deputies Charged with Serious and Minor Malfeasance, Legs.

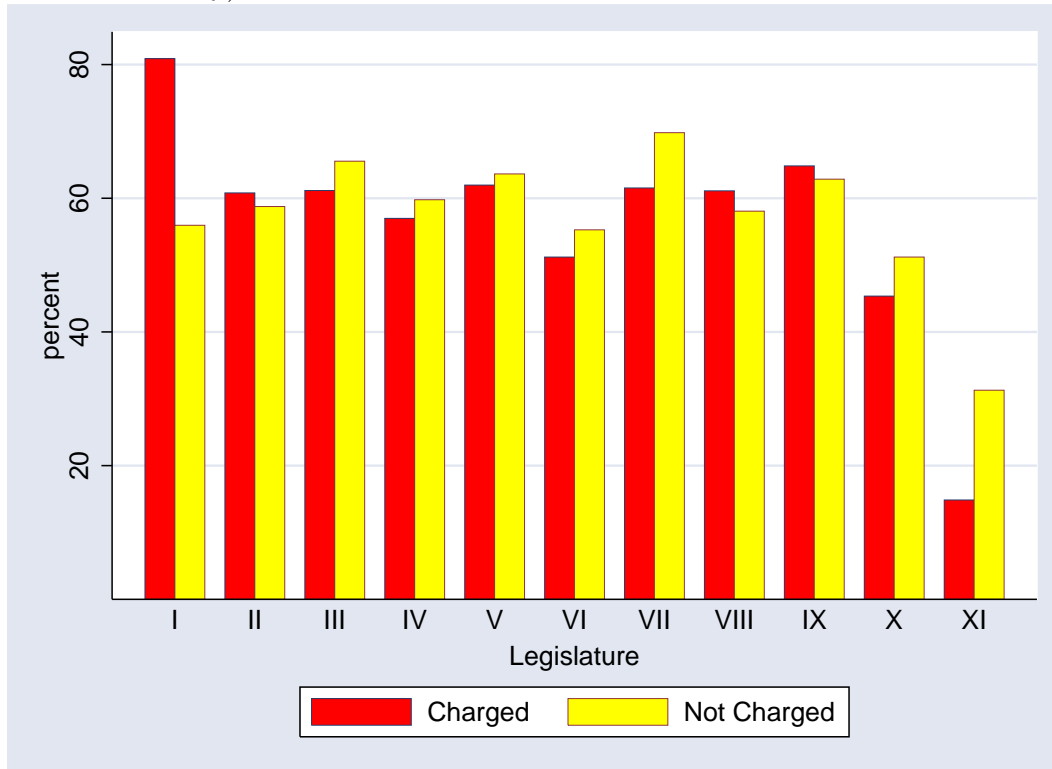
I–XI



Source: Based on data from (Golden 2004a).

Nor is Italy unusual in this regard. Although there are only a handful of studies from other countries documenting the electoral fortunes of politicians charged with or convicted of illegal activities, the findings are surprisingly similar to those for Italy. In Japan, (Reed 1999) finds that legislators lose only a few percentage points over their previous vote share when they are indicted or convinced of corruption, and in fact, those who are convicted actually see increases in their vote shares (p. 136). Sixty-two percent of legislators convicted of corruption over the period from 1947 to 1993 were subsequently reelected, according to

Figure 3: Proportions of Charged and Not Charged Italian Deputies Reelected by Legislature
(Serious Offenses Only)



Source: Based on data from (Golden 2004a).

Reed's data. Candidates to the US House of Representatives charged with corruption during the period 1968 to 1978 were, like their Italian and Japanese counterparts, also more likely than not to be reelected to public office, although they suffered losses of 6 to 11 percent in their expected vote shares, depending on whether they were Democrats or Republicans (Peters and Welch 1980). In this period, 61 percent of allegedly-corrupt representatives were reelected. A follow-up study covering the period from 1982 to 1990 found that charges of corruption affected reelection probabilities more severely, and that 65 percent of corruption-

charged incumbents were reelected compared with 85 percent of their “clean” counterparts (Welch and Hibbing 1997, p. 233). Finally, (Dimock and Jacobson 1995) estimate that the ultimate impact of the 1992 House banking scandal, when legislators were exposed as having written bad checks — not illegal per se, but still widely considered inappropriate and a misuse of public office — and which resulted in the greatest turnover in the US House of Representatives in 40 years, was to reduce incumbents’ vote shares by 5 percent (p. 1157). The survival rate of those implicated in bad check writing was 80 percent, compared with 98 percent of those with no overdrafts (p. 1133). While these findings should be qualified by noting that some incumbents retired strategically rather than face defeat (Groseclose and Krehbiel 1994), the ability of incumbent political representatives to weather the storm of scandal and suspected malfeasance appears all too common.

In both the US and Italy, to sum up, legislators charged with wrongdoing see their vote shares decline by 5 to perhaps a little more than 10 percent, indicating that approximately 5 to 10 percent of voters take corruption seriously enough to withdraw electoral support from candidates who are charged with it. In Japan, Reed reports that legislators charged with corruption (but not convicted) likewise experience vote losses of similar magnitude (11 percent) (Reed 1999, p. 136). Is 5 to 10 percent a lot or a little? The average voter remains willing to give electoral support to political representatives who are allegedly involved in criminal wrongdoing, whether that voter is American, Japanese or Italian. Moreover, the modal corrupt politician is successfully reelected despite charges, or even convictions, of illegal behavior.

The only systematic study of which I am aware to report substantially different results is (Ferraz and Finan 2005), who study Brazilian mayors. Ferraz and Finan find massive voter retaliation against mayors when conclusive evidence of corruption is produced, in the form of audits of municipal records showing financial irregularities and diversion of funds from the federal government. The authors speculate that their results differ from those of other studies because of the electoral impact of *evidence* of corruption as opposed to merely scandal and allegation. They suggest that voters wear partisan blinders and are reluctant to inflict electoral punishment on politicians unless the politician is actually known and not merely suspected to have committed a crime.

It seems likely, however, that the different findings for Brazilian mayors compared with US, Italian and Japanese national legislators stem from differences in how voters evaluate the performance of incumbents at different levels of government. Forcing a corrupt mayor out of office has an immediate impact on local government policy outcomes,⁴ because mayors are executive officials. Fraud and malfeasance, if cleaned up, quickly affect the quantity and quality of government services delivered, and voters are usually keenly aware of these kinds of changes in policy outputs. Forcing a corrupt individual legislator out of national office, however, has no immediate impact on national policy or on the overall degree of corruption tolerated by the governing parties. A single electoral district or legislator is unlikely to be pivotal in altering party control of government, and national policy orientations do not change with the defeat of a single legislator. Ironically, however, punishing an incumbent

⁴(Ferraz and Finan 2005) do not detail the political resources that Brazilian mayors control, but their paper suggests that mayors control considerable resources over local distributive policy outcomes.

national legislator has the negative effect of temporarily reducing the flow of distributive goods (“pork barrel”) to the district, since such goods are known to increase with seniority and legislative experience. For these reasons, voters may be reluctant to throw a corrupt national representative out of public office. It can do no good overall, and instead is likely to reduce the resources going to the district.⁵

The Brazilian findings of substantial electoral retribution against corrupt elected officials stand in marked contrast with those of research elsewhere. The recent evidence that I have reviewed corroborates earlier work showing “that officials can often engage in illegal activities without being reprimanded at the polls” (Rundquist, Strom, and Peters 1977, p. 955). Even at the local level, voters are known to tolerate widespread and very public corruption for many years. In the US, urban political machines endured for decades despite their widespread and well-known involvement in corrupt practices (Scott 1969). Accusations or even convictions of corruption in such settings did little to impair the political reputations of those running the machines, and may have even enhanced reelection probabilities. The triggers of electoral retribution for corruption remain known.

2 Interpretation and Conclusions

Three puzzles have emerged thus far. First, why do voters typically reelect politicians who engage in illegal activities? Second, why does electoral retribution apparently come as part

⁵Similar ideas are developed in (Diaz-Cayeros, Magaloni, and Weingast 2000a; Diaz-Cayeros, Magaloni, and Weingast 2000b).

of a wave of public revulsion over corrupt practices, representing a sudden, even dramatic change of behavior on the part of the electorate? Finally, why is the frequency of corruption by those holding public office so variable across the world's wealthy democracies? Why, in other words, do democratic political institutions on their own not guarantee integrity on the part of elected officials?

The first question seems to have escaped scholarly inquiry for the last quarter century. An earlier literature offers three possible explanations for why voters reelect political representatives even when they are known to engage in illegal activities (Rundquist, Strom, and Peters 1977). The first is that voters are often ignorant of corruption by elected officials, and when the information does reach them, they discount allegations of corruption as partisan. A second explanation is that voters reelect corrupt incumbents because they deliver visible material benefits in the form of constituency service, patronage and pork. Indeed, often the illegal activities that are exposed as corrupt offer tangible evidence of extensive patronage dealings. A final explanation is that corruption is part an implicit trade with voters, comprising only one element in voters' evaluations of political candidates. Even if the voter "dislikes" corruption, so long as incumbent contributes to producing policy outcomes on other dimensions that are close to the voter's ideal point, and the other policies weigh more for the voter than the moral profile of the elected official, the voter will continue to endorse the incumbent.

All three are likely to be true, but in different degrees for different groups of voters. In postwar Italy, to continue with the main example used in this paper, voters were often

unaware that legislators affiliated with the governing parties engaged in illegal behavior, and when the information became known, the most strongly partisan supporters of the ruling parties probably discounted it due in part to the fact that the main opposition party was communist. Anti-communism probably became more important than sheer ignorance as, over time, information about systematic corruption on the part of national legislators became increasingly available to the public. Core voters for Italian Christian Democracy, who were heavily located in the North-East of the country, were thus deliberately “ignorant” of corruption, or disregarded it even when informed. Patronage and pork, by contrast, seem to have been used to buy votes especially in the South, where a large unemployed and underemployed population was located, one without traditional partisan ties to the governing parties. In part with help from organized crime, Christian Democracy in the Italian South systematically used control over national resources to buy votes in large southern cities (Chubb 1982). Finally, the parties of government were long able to offer considerable policy success on other dimensions, including economic growth, thereby rendering charges of corruption politically irrelevant.

When voters finally repudiated corrupt incumbents, the electoral shock was so large that it destroyed the postwar party system. All the major existing parties collapsed with the exception of the Italian Communist Party, which had far less implicated in corruption than the others. This wave of anti-system voting was triggered by the collapse of the Soviet Union, as well as a change in the international economic environment that made corruption relatively more expensive (Golden 2004b). An essential element in the change of voter

behavior were judicial investigations and resulting media blare exposing levels of corruption even more mind-boggling than anyone had previously believed. Contractors stopped paying bribes, confessing instead, and the politicians who had extracted them suffered the wave of requests to remove their parliamentary immunity that is documented in Figure 2.⁶

This above line of argument, provisional as it is, nonetheless offers an initial framework for thinking about why some democracies apparently harbor much more political corruption than others. If voters do not punish corrupt incumbents except in occasional sudden and massive waves — perhaps when corruption severely affects macroeconomic performance or for some other reason causes a reordering of policy priorities — then if by any accident of history corruption becomes entrenched, it will be politically tolerated for long stretches of time. Countries in which organized crime is very active may be subject to just such accidents of history. At the same time, some institutional features of democratic electoral systems appear likely to permit greater corruption. In particular, countries that use proportional representation that have open lists, in which candidates from the same party compete against each other, are relatively more corrupt because intraparty political competition is often necessarily subsidized by illegal kickbacks and bribes (Chang and Golden 2007; Nyblade and Reed). These institutional arrangements provide politicians incentives to raise monies illegally; their abilities to do so on a widespread basis probably vary with other idiosyncratic factors.

Do voters in developing countries, where corruption is likely to exact a much higher

⁶A related interpretation, using formal analysis, is (Bicchieri and Duffy 1997).

economic price relative to level of development, also tolerate corrupt dealings by public officials to the same extent as voters in affluent democracies? Thus far, no research has been conducted on this question. But it is a fair guess that they are likely to, in that poor voters will be susceptible to the inducements of pork and patronage. This question awaits scholarly investigation.

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